



## U.S.-CHINA SECURITY REVIEW COMMISSION

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### OPENING STATEMENT BY CHAIRMAN C. RICHARD D'AMATO

U.S.-China Commission Hearing  
U.S.-China Current Trade and Investment Policies  
and Their Impact on the U.S. Economy

June 14, 2001  
124 Dirksen Senate Office Building

This is the opening hearing of the newly formed U.S.-China Commission, a statutory permanent Congressional advisory body, and we are privileged to have before us as our first witness, the distinguished Chairman of the Appropriations Committee, the President Pro Tempore of the Senate, U.S. Senator Robert C. Byrd.

The purpose of this Commission, which was created by legislation authored by Senator Byrd, together with a number of other Senators, including those who will be making presentations this morning. The statute was passed last fall on the FY 2001 Defense Authorization Bill, is to conduct an integrated assessment of the U.S.-China relationship by investigating the relationships between our mushrooming economic flows and U.S. national security concerns. In the past, efforts have been made to keep economic ties to some extent compartmentalized from the overall relationship, but with China now becoming America's primary international protagonist, and with America's focus shifting away from Europe and to the Pacific as our primary region of interest in the new Century, all parts of the relationship are increasingly related to each other. Thus, Chinese policies toward its neighbors, U.S. allies and friends, its military and political policies toward the U.S. will increasingly be affected by, and in turn will affect, the kind and size of our economic relationship. I should think, for example, that China's uncooperative attitude on the important problem of global warming will begin to have an impact on other parts of our relationship. The Commission is therefore approaching an understanding of the China connection in a newly comprehensive fashion.

This Commission is seeking to fulfill its wide-ranging Congressional mandate and develop a fresh and holistic approach that makes sense regarding China, and to understand the implications of the huge flow of economic resources going from the United States to the Chinese economy and government. These resources take the form of very large trade surpluses, steeply growing sums of venture capital from our financial marketplace, and increasingly large investments by U.S. business. This also involves substantial transfers of advanced technology.

We have scheduled three other hearings prior to the Congressional recess in August, including hearings on capital markets, a wide range of specific sectoral issues, and on mutual perceptions in the security arena. You can find the schedule on the press tables.

The Commission's mandate includes examining and reporting to Congress on a variety of specific areas, including:

- The portion of trade in goods and services with the United States that the People's Republic of China dedicates to military systems or systems of a dual nature that could be used for military purposes;
- The acquisition by the People's Republic of China of advanced military or dual-use technologies from the United States by trade (including procurement) and other technology transfers, especially those transfers, if any, that contribute to the proliferation of weapons of mass destruction or their delivery systems, or that undermine international agreements or United States laws with respect to nonproliferation;
- Any transfers, other than those identified under subparagraph (B), to the military systems of the People's Republic of China made by United States firms and United States-based multinational corporations;
- An analysis of the statements and writings of the People's Republic of China officials and officially-sanctioned writings that bear on the intentions, if any, of the government of the People's Republic of China regarding the pursuit of military competition with, and leverage over, or cooperation with, the United States and the Asian allies of the United States;
- The military actions taken by the government of the People's Republic of China during the preceding year that bear on the national security of the United States and the regional stability of the Asian allies of the United States;
- The effects, if any, on the national security interests of the United States of the use by the People's Republic of China of financial transactions and capital flow and currency manipulations;
- Any action taken by the Government of the People's Republic of China in the context of the World Trade Organization that is adverse or favorable to the United States national security interests;
- Patterns of trade and investment between the People's Republic of China and its major trading partners, other than the United States, that appear to be substantively different from trade and investment patterns with the United States and whether the differences have any national security implications for the United States;
- The extent to which the trade surplus of the People's Republic of China with the United States enhances the military budget of the People's Republic of China, and;

- An overall assessment of the state of the security challenges presented by the People's Republic of China to the United States and whether the security challenges are increasing or decreasing from previous years.

The Commission is required to provide a comprehensive annual report to the Congress in March each year, in classified and unclassified forms, together with any recommendations for legislative and other actions as the Commission feels appropriate.

All this economic activity is occurring is in the face of an uncertain security relationship and an open question of the willingness and capacity of the Chinese to truly work with the United States in a cooperative manner in the Pacific region. If our security interests are colliding, what should be the implications for the continuation of massive transfers of wealth for the use of the Chinese regime?

To help us sort out these questions, we have a series of presentations by several Senators who were involved in the creation of this Commission, followed by representatives of business and labor, and former officials of the Executive Branch, Admiral Joseph W. Prueher, our outgoing Ambassador to China, and the former trade negotiator in the past Administration, Ambassador Charlene Barshefsky.

We welcome you today, and it is an honor to hear from you, Senator Byrd.